

1994 - 1995
ANNUAL
REPORT

CANADIANA

APR 2 1997

**ALBERTA
DAIRY
CONTROL
BOARD**

Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT



AGRICULTURE, FOOD AND
RURAL DEVELOPMENT

Alberta Dairy Control Board

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September 18, 1995

Honourable Walter Paszkowski
Minister of Agriculture
208 Legislature Building
Edmonton, Alberta
T5K 2B6

Dear Sir:

I have the privilege to present to you the Annual Report of the Alberta Dairy Control Board for the year ended March 31, 1995.

Yours truly,

James P. Heron
Chairman

JPH:dm



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ANNUAL REPORT
of the
ALBERTA DAIRY CONTROL BOARD
for the fiscal year
ended March 31, 1995

CHAIRMAN'S MESSAGE

We are pleased to report on the activities of the Alberta Dairy Control Board for the fiscal year ended March 31, 1995. This report provides financial statements as audited by the Office of the Auditor General, along with a summary of our activities during the past year. I hope you find our report informative and useful.

During the past year much of the Board's activities were focused on the impact of the GATT agreement on Canada's supply managed dairy industry. National negotiations focused on two distinct issues: trade related matters and restructuring the Canadian dairy industry. The Board is committed to compliance with the new trade rules but is equally committed to ensure that any restructuring takes into account the competitive strengths and natural advantages of Alberta producers and processors. We must ensure that any changes to the National Plan further strengthens the dairy industry and that consumers receive top quality dairy products at the least cost. The task of meeting our trade related obligations will be relatively easy when compared to the wide spectrum of national, provincial and lobby group interests and their recommendations for restructuring. The overwhelming support of the dairy industry and government to meet our trade obligations and resist any longer term arrangements that would limit our competitive advantage is of great assistance as we negotiate the future of the Canadian dairy industry.

In the deregulated price environment processors, distributors and retailers have aggressively pursued new markets resulting in lower prices and increased consumer service. Fluid milk farm gate prices are set by the Energy and Utilities Board who use a flexible pricing formula based on current trends and costs.

In keeping with the mission and goals of Alberta Agriculture, Food and Rural Development the Board met the goals of its three year business plan. The Board is

directed to foster a competitive market-driven industry to encourage the development of value added Alberta dairy products and to facilitate the long-term profitability of primary producers and food processors. The business plan includes a seventy five percent cost recovery from producers and processors through assessment.

Endorsement of the Board's business plan is evidence of the strong support the Alberta government and Minister Paszkowski give to the dairy industry.

The Dairy Control Board is committed to fostering a more competitive, market responsive dairy industry and has established dairy policy and procedures which allow individual producers and processors to make the decisions that affect their business. Simplified quota transfer procedures, speedy approval of new containers needed for new markets, removal of provincial trade barriers thereby allowing Alberta processors to capture multimillion dollar national accounts are but a few of the initiatives recently undertaken. The Board is committed to a comprehensive review of its regulations over the next year. Simplification and coordination with National standards such as the National Dairy Code and minimum interference in industry affairs remains the focus of this review.

The Board has initiated twenty one major changes in the past five years. With new Government direction and Board initiative the pace of change has definitely accelerated. With Dairy Board appointments representing all stakeholder views the Alberta Dairy Control Board is able to make changes without undue influence of any one special interest group.

On behalf of the Dairy Board members, I convey a sincere thank you to the management and staff. Their commitment to the principle of excellence is appreciated. Sincere appreciation is also extended to the industry stakeholders, namely the Policy Advisory Committee, Alberta Milk Producers, co-operative producer associations, Alberta Dairy Association, Alberta Agriculture staff, producers,

and processors for their valuable counsel and assistance.

As in past years, we reaffirm our commitment to provide the best possible service and to work with stakeholders, consumers and government for a strong and competitive Alberta dairy industry.

James P. Heron, Chairman
Alberta Dairy Control Board

ALBERTA DAIRY CONTROL BOARD

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ALBERTA DAIRY CONTROL BOARD

PAST CHAIRMEN

Stewart Thomas	1968 - 1977
Jim Gylander	1977 - 1983
Mike Dordevic	1984 - 1989

BOARD MEMBERS

James P. Heron	Chairman	Spruce Grove
Lucille Dougherty	Member	High River
Thor Andreassen	Member	Stony Plain
James Hunter	Member	Medicine Hat
Terry Murray	Member	Wainwright
Lloyd Johnston	Managing-Director	Wetaskiwin

AUTHORITY AND MANDATE

The Alberta Dairy Control Board is a Crown corporation, operating under the authority of the Dairy Board Act. Its purpose is to control and regulate the sale of milk in Alberta. Board responsibilities cover all three sectors of the dairy industry including fluid milk, industrial milk and cream.

The Board's membership consists of one active dairy producer, a former producer, a former processor, a consumer representative and a full-time chairman. The chairman reports directly to the Minister of Agriculture, Food and Rural Development. Nine full-time Board staff members administer dairy policy within Alberta.

The Chairman of the Alberta Dairy Control Board is a signatory to the Comprehensive Milk Marketing Plan (the National Milk Marketing Plan governing the production of industrial milk in Canada). The Board has accepted the responsibility of administering market share quota, collecting levies and remitting them for Alberta producers. James Heron, Chairman, represents Alberta on the Canadian Milk Supply Management Committee (CMSMC). The CMSMC makes recommendations to the Canadian Dairy Commission on balancing milk production with domestic and export demand.

Dairy policies are developed to ensure that producers and processors of milk and cream have an opportunity to receive a fair return for their labour and investment. Providing consumers with a continuous supply of high-quality dairy products at reasonable prices is a primary objective.

The Board is responsible for setting the producers' price for industrial milk. By authority of the Dairy Board Act, the Energy and Utilities Board sets the producer farm gate price for Class I milk.

REPORT ON OPERATIONS

The Alberta Dairy Control Board is financed by producer assessment of \$0.02 per kilogram butterfat, processor assessment of \$0.01 per kilogram butterfat, and government contribution of 25 percent of administrative and enforcement costs.

Honorarium and expenses were paid to citizen members of the Alberta Dairy Control Board, producer members of the Policy Committee and Alberta representatives to the Canadian Milk Supply Management Committee.

The Board continued to collect producer assessments for dairy products promotion and nutrition education. These funds were forwarded to the Alberta Milk Producers' Society and the Dairy Nutrition Council of Alberta under the terms of the agreements.

The Alberta Dairy Control Board participated in provincial, national and international dairy activities. Negotiations associated with the General Agreement on Trade and Tariffs (GATT) and domestic restructuring substantially increased activity. Considerable effort was put into Board and industry directed fluid milk deregulations. Several meetings with neighbouring provinces resulted in fluid milk products moving freely over provincial boundaries. Attempts at forming a Western regional producer pool are proceeding.

The Board successfully performed the responsibility of industry referee.

Processor audit activities continued to be performed in fulfilment of the Board's mandate. The producer milk equalization pool operated for the nineteenth year.

Board policies and regulations were successfully administered. The Board and staff received cooperation from all sectors of the dairy industry, agri-business,

government departments and agencies throughout the year. The Board, in turn, provided accurate and timely information to clients and stakeholders.

A three-year business plan and budgets were developed to meet the needs of the Board's clients and to dovetail with Alberta Agriculture, Food and Rural Development's business plan.

The three-tiered levy system gave producers the opportunity to decide if they should deliver the last 4 percent of MSQ (sleeve), where returns were lower. The Canadian Dairy Commission invoiced Alberta on a blended levy rate for surplus removal costs based on all milk delivered. Skim-off costs were levied on Alberta producers and MSQ was adjusted to reflect incremental skim-off.

Producer prices increased from \$55.97 to \$56.51 per hectolitre for Class I milk on March 1, 1995. The target price and the intervention price set by the Canadian Dairy Commission resulted in an August 1, 1995 industrial milk price increase of \$1.56/hl.

Producer numbers continued to decline. Milk producers totalled 1,162 at year end, a decrease of 4.5 percent. Cream producers totalled 65, a decrease of 76 producers. Milk production was 1.4 percent higher than the previous year, reflecting a 2% increase in market share quota. Gains in production per cow continued and the number of cows per farm reflecting increased overall production efficiencies increased.

Processing at Peace River was consolidated at Grande Prairie. Dawson Creek and Fort St. John milk was transported to Grande Prairie for processing and returned to serve customers in British Columbia.

Olympus Dairy products did not renew its licence on January 1, 1995 although they continued to receive milk from non-licensed producers and operated in contravention of existing regulations and dairy policy.

Interprovincial movement of Class I milk increased. Processors cooperated by supplying data to accurately account for Class I pricing in the respective provinces where the sales occurred. Throughout the year the Board further simplified reporting systems to permit processors to serve interprovincial customers more efficiently. Cooperation between British Columbia, Saskatchewan and Alberta control agencies assisted industry to respond to new market forces. The Board acted as the clearing house by providing data to British Columbia and Saskatchewan to assist in sales reconciliation and accurate producer payment.

Board staff provided a high level of quality service to clients and stakeholders during 1994-95. We are committed to provide the best possible service to industry, business, government and consumers.

Respectfully submitted

Lloyd G. Johnston
Managing-Director

ALBERTA DAIRY CONTROL BOARD

FINANCIAL STATEMENTS

MARCH 31, 1995

Auditor's Report

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Statement of Changes in Financial Position

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Schedule of Trust Transactions

Schedule of Honoraria, Salaries and Employee Benefits



ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Members of the
Alberta Dairy Control Board

I have audited the balance sheet of the Alberta Dairy Control Board as at March 31, 1995 and the statements of revenue, expenditure and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA
Auditor General

Edmonton, Alberta
May 25, 1995

ALBERTA DAIRY CONTROL BOARD

BALANCE SHEET
AS AT MARCH 31, 1995

	1995		1994
	<u>Budget</u> (Note 11)	<u>Actual</u>	<u>Actual</u>
<u>ASSETS</u>			
Operating:			
Current:			
Cash	\$1,048,598	\$1,348,729	\$1,138,941
Due from processors, producers and others (Note 3)	474,700	1,117,451	952,065
Prepaid expenses	<u>-</u>	<u>35</u>	<u>-</u>
	1,523,298	2,466,215	2,091,006
Due from Province of Alberta	-	-	34,376
Capital assets (Note 4)	62,100	62,459	93,297
Equipment under capital leases (Note 4)	<u>12,700</u>	<u>15,033</u>	<u>11,114</u>
	<u>1,598,098</u>	<u>2,543,707</u>	<u>2,229,793</u>
Trust: (Note 5)			
Cash	25,000	20,902	485,686
Due from processors and producers, Schedule 1	<u>1,555,000</u>	<u>3,866,507</u>	<u>1,606,684</u>
	<u>1,580,000</u>	<u>3,887,409</u>	<u>2,092,370</u>
	<u>\$3,178,098</u>	<u>\$6,431,116</u>	<u>\$4,322,163</u>
<u>LIABILITIES AND RETAINED EARNINGS</u>			
Operating:			
Current:			
Due to processors and producers (Note 6)	\$ 419,057	\$1,177,625	\$ 940,568
Due to Province of Alberta	42,600	33,455	31,190
Accounts payable and accruals	55,000	86,346	68,122
Current portion of obligation under capital leases (Note 7)	<u>2,400</u>	<u>2,861</u>	<u>2,613</u>
	519,057	1,300,287	1,042,493
Obligation under capital leases (Note 7)	11,000	12,510	8,752
Pension liability (Note 8)	-	138,034	137,507
Retained earnings	1,046,798	1,081,183	1,020,798
Quota exchange reserve (Note 9)	<u>21,243</u>	<u>11,693</u>	<u>20,243</u>
	1,598,098	2,543,707	2,229,793
Trust liabilities, Schedule 1	<u>1,580,000</u>	<u>3,887,409</u>	<u>2,092,370</u>
	<u>\$3,178,098</u>	<u>\$6,431,116</u>	<u>\$4,322,163</u>

The accompanying notes and schedules
are part of these financial statements.

ALBERTA DAIRY CONTROL BOARD

STATEMENT OF REVENUE, EXPENDITURE AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>		<u>1994</u>
	<u>Budget</u> (Note 11)	<u>Actual</u>	<u>Actual</u>
<u>REVENUE</u>			
Producer assessments	\$ 394,838	\$ 421,542	\$ 397,493
Processor assessments	196,950	210,123	198,245
Government contribution to administration costs (Note 10)	162,000	170,903	176,269
Gain on disposal of assets	<u>-</u>	<u>437</u>	<u>369</u>
	<u>753,788</u>	<u>803,005</u>	<u>772,376</u>
<u>EXPENDITURE</u>			
Honoraria, salaries and employee benefits, Schedule 2	454,761	485,843	524,224
Travel and conference fees	135,000	136,831	85,158
Amortization	44,584	43,225	37,608
General office	36,338	37,312	32,014
Grants	39,000	33,899	36,368
Quota exchange transfers (Note 9)	(1,000)	8,550	20,906
Data processing	18,105	5,510	8,153
Data processing equipment and software	<u>-</u>	<u>-</u>	<u>1,392</u>
	<u>726,788</u>	<u>751,170</u>	<u>745,823</u>
Excess of revenue over expenditure for the year	27,000	51,835	26,553
Appropriation from (to) quota exchange reserve (Note 9)	<u>(1,000)</u>	<u>8,550</u>	<u>20,906</u>
	26,000	60,385	47,459
Retained earnings at beginning of year	<u>1,020,798</u>	<u>1,020,798</u>	<u>973,339</u>
Retained earnings at end of year	<u>\$1,046,798</u>	<u>\$1,081,183</u>	<u>\$1,020,798</u>

ALBERTA DAIRY CONTROL BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>		<u>1994</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 11)		
Cash provided by (used in):			
Operating activities:			
Excess of revenue over expenditure for the year	\$ 27,000	\$ 51,835	\$ 26,553
Items not involving cash:			
Amortization	44,584	43,225	37,608
Gain on disposal of assets	-	(437)	(369)
Increase in pension liability	<u>-</u>	<u>527</u>	<u>35,817</u>
	71,584	95,150	99,609
Net change in non-cash operating working capital items:			
(Increase) decrease in due from processors, producers and others	511,741	(165,386)	(513,220)
(Increase) decrease in prepaid expenses	-	(35)	884
Increase (decrease) in due to processors and producers	(660,730)	237,057	512,936
Increase (decrease) in due to Province of Alberta	-	2,265	(33,825)
Increase in accounts payable and accruals	<u>-</u>	<u>18,224</u>	<u>21,258</u>
Cash provided by (used in) operating activities	<u>(77,405)</u>	<u>187,275</u>	<u>87,642</u>
Investing activities:			
Purchase of capital assets	(14,973)	(16,383)	(27,042)
Proceeds on sale of capital assets	<u>-</u>	<u>514</u>	<u>5,024</u>
Cash used in investing activities	<u>(14,973)</u>	<u>(15,869)</u>	<u>(22,018)</u>
Financing activities:			
Increase in obligation under capital leases	2,035	4,006	7,407
Decrease (increase) in due from Province of Alberta	<u>-</u>	<u>34,376</u>	<u>(34,376)</u>
Cash provided by (used in) financing activities	<u>2,035</u>	<u>38,382</u>	<u>(26,969)</u>
Increase (decrease) in cash	(90,343)	209,788	38,655
Cash at beginning of year	<u>1,138,941</u>	<u>1,138,941</u>	<u>1,100,286</u>
Cash at end of year	<u>\$1,048,598</u>	<u>\$1,348,729</u>	<u>\$1,138,941</u>

ALBERTA DAIRY CONTROL BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Dairy Control Board (the "Board") operates under the authority of the Dairy Board Act, Chapter D-1, Revised Statutes of Alberta 1980, as amended.

The Board was established to control and regulate the sale of milk in Alberta. Its responsibilities cover all three sectors of the dairy industry including fluid milk, industrial milk and cream.

Note 2 Accounting Policies

Amortization

Capital assets are amortized on a straight-line basis over the estimated useful life of the assets at the following rates:

Office furniture and equipment	3 years
Communication equipment	3 years
Software development	5 years
Computer hardware and equipment	3 and 5 years

Equipment acquired under a capital lease is amortized on a straight-line basis over the economic life of the asset.

Expenditure

Honoraria, salaries and employee benefits include the cost of pension obligations earned by employees during the year and interest on the portion of unfunded pension liabilities that the Board has agreed to fund.

Liabilities

Liabilities include the portion of unfunded pension liabilities for which the Board is responsible.

Note 3 Due from Processors, Producers and Others

	<u>1995</u>	<u>1994</u>
Quota exchange	\$1,060,462	\$ 898,496
Assessments	54,950	53,569
Others	<u>2,039</u>	<u>-</u>
	<u>\$1,117,451</u>	<u>\$952,065</u>

Note 4 Capital Assets and Equipment Under Capital Leases

	<u>1995</u>			<u>1994</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Office furniture and equipment	\$ -	\$ -	\$ -	\$ 67
Communication equipment	-	-	-	119
Software development	146,719	98,823	47,896	74,908
Computer hardware and equipment	<u>31,398</u>	<u>16,835</u>	<u>14,563</u>	<u>18,203</u>
	178,117	115,658	62,459	93,297
Office equipment under capital leases	<u>18,594</u>	<u>3,561</u>	<u>15,033</u>	<u>11,114</u>
	<u>\$ 196,711</u>	<u>\$ 119,219</u>	<u>\$77,492</u>	<u>\$ 104,411</u>

Note 5 Trust (see Schedule 1)

Under the National Milk Marketing Plan, the Board collects levies from processors on behalf of producers and forwards the levies to the Canadian Dairy Commission (the "CDC"), a portion of which may be refunded to producers under certain conditions. During 1994-95 \$933,616 was received from CDC, of which \$933,581 was refunded to producers. These amounts are included in Amounts received and Amounts paid out, respectively, on Schedule 1.

The Board has an agreement to collect levies for milk promotion and education on behalf of the Alberta Milk Producers Society and the Dairy Nutrition Council of Alberta.

Note 5 Trust (see Schedule 1) (continued)

Under section 38 of the Dairy Control Board Regulation, 1979, the Board is required to operate a price equalization mechanism whereby all producers receive a fair price for their milk production.

Note 6 Due to Processors and Producers

	<u>1995</u>	<u>1994</u>
Quota exchange	\$1,173,425	\$ 937,068
Other	<u>4,200</u>	<u>3,500</u>
	<u>\$1,177,625</u>	<u>\$ 940,568</u>

Note 7 Obligation Under Capital Leases

Future minimum payments under capital leases are as follows:

	<u>1995</u>	<u>1994</u>
1995	\$ -	\$ 3,803
1996	4,419	2,739
1997	4,419	2,739
1998	4,419	5,479
Thereafter	<u>6,380</u>	<u>-</u>
	19,637	14,760
Less amount representing interest	<u>4,266</u>	<u>3,395</u>
	15,371	11,365
Less current portion	<u>2,861</u>	<u>2,613</u>
	<u>\$12,510</u>	<u>\$ 8,752</u>

Interest is imputed at 9.6% and 11.6%.

Note 8 Pension Liability

The Alberta Dairy Control Board participates with other employers in the Public Service and Management Employees pension plans. These plans provide pensions for the Board's employees based on years of service and earnings.

The Board had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	<u>1995</u>	<u>1994</u>
Public Service	\$ 23,209	\$ 20,307
Management Employees	<u>114,825</u>	<u>117,200</u>
	<u>\$ 138,034</u>	<u>\$ 137,507</u>

The total unfunded pension liability for each plan as at March 31, 1995 was determined by actuarial valuations as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Board's portion of those employers' liabilities was based on the Board's percentage of the total pensionable payroll of all employers.

Note 9 Quota Exchange

The Quota Exchange Reserve represents surpluses occurring on transfers of quotas and will be used to cover any future Quota Exchange transaction deficiencies.

	<u>1995</u>	<u>1994</u>
Sales of quota	\$8,376,023	\$6,462,505
Purchases of quota	<u>8,384,573</u>	<u>6,483,411</u>
Appropriation in current year	(8,550)	(20,906)
Reserve at beginning of year	<u>20,243</u>	<u>41,149</u>
Reserve at end of year	<u>\$ 11,693</u>	<u>\$ 20,243</u>

Note 10 Related Party Transactions

Administration costs

In addition to the government contribution which funds 25% of certain administration costs, the General Revenue Fund of the Province of Alberta bears the cost of the following:

- | | |
|-------------------------|---|
| Administrative services | - legal, audit, personnel, and financial. |
| Accommodation costs | - office space, basic utilities, repairs, maintenance, RITE telephone system, office furniture and certain office equipment. This cost has been estimated at \$18,138 for the 1995 fiscal year. |

Licence fee income and interest on cash deposits

Licence fee income, and interest from cash deposits in the Consolidated Cash Investment Trust Fund, are credited directly to the General Revenue Fund of the Province of Alberta.

Note 11 Budget

The 1994-95 budget was approved by the Board of Directors on June 27, 1994.

Note 12 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 13 Approval of Financial Statements

These financial statements were approved by management.

ALBERTA DAIRY CONTROL BOARD

SCHEDULE OF TRUST TRANSACTIONS

FOR THE YEAR ENDED MARCH 31, 1995

	1995				1994
	Canadian Dairy Commission	Alberta Milk Producers Society	Dairy Nutrition Council of Alberta	Price Equalization	Total
Trust liabilities at beginning of year	\$ 1,042,161	\$ 339,714	\$ 28,708	\$ 681,787	\$ 1,337,265
Add:					
Amounts received	14,546,685	3,942,228	315,378	5,768,852	22,953,227
Amounts receivable	<u>2,868,939</u>	<u>369,976</u>	<u>29,598</u>	<u>597,994</u>	<u>1,606,684</u>
	18,457,785	4,651,918	373,684	7,048,633	25,897,176
Less amounts paid out	<u>15,585,311</u>	<u>4,281,942</u>	<u>344,086</u>	<u>6,433,272</u>	<u>23,804,806</u>
Trust liabilities at end of year	<u>\$ 2,872,474</u>	<u>\$ 369,976</u>	<u>\$ 29,598</u>	<u>\$ 615,361</u>	<u>\$ 2,092,370</u>

ALBERTA DAIRY CONTROL BOARD
SCHEDULE OF HONORARIA, SALARIES AND EMPLOYEE BENEFITS
FOR THE YEAR ENDED MARCH 31, 1995

	1995			1994	
	Number of Individuals	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Number of Individuals
Chairman of the Board	1	\$ 75,400	\$10,342	\$ 85,742	1
Board members	4	12,690	-	12,690	4
Policy Committee members	8	3,583	-	3,583	8
Secretary/Manager	1	64,441	10,633	75,074	1
Senior Business and Financial Analyst	1	51,953	9,860	61,813	1
Other salaried staff (average 1995 \$30,058, 1994 \$31,381)	7	176,268	34,138	210,406	7
Non-salaried staff ⁽³⁾		19,903	1,708	21,611	
Long-term disability staff		-	9,279	9,279	
Vacation accrual adjustment		-	5,645	5,645	
Pension costs related to prior years		-	-	-	
		<u>\$404,238</u>	<u>\$81,605</u>	<u>\$485,843</u>	<u>1,921</u>
					<u>\$524,224</u>

⁽¹⁾ Salary includes regular base pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration.

⁽²⁾ Benefits and allowances includes the Board's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

⁽³⁾ Non-salaried staff includes all wage staff and others remunerated on an hourly basis.

BUSINESS PLAN

April 1995 to March 31, 1997

Summary

The Dairy Board Act sets out the regulatory powers of the board to: "control and regulate the sale of milk in Alberta".

Alberta has 1140 dairy producers. The gross value of raw milk is \$300 million annually. The dairy industry has a positive impact on the service industry. The sale of dairy animals contribute 8-10 percent of the overall Alberta beef industry. Alberta has 20 processing plants, owned and operated by 11 companies. The wholesale value of processed dairy products total \$600 million, more than doubles the value of raw milk.

Board revenue is received as follows: 50% by producers, 25% by processors and 25% in the form of an Alberta Government grant.

Alberta is a member of the National Milk Marketing Plan and is represented at the Canadian Milk Supply Management Committee meetings by the Board Chairman and two industry representatives. Currently, Alberta is the third largest dairy province, currently holding 6.5% of the Canadian industrial milk quota. This represents a shortfall of production potential compared to our population.

Interprovincial trade barriers between Saskatchewan, Alberta and British Columbia were removed. Alberta processed fluid milk is being sold in British Columbia and Saskatchewan. The Board has been instrumental in facilitating interprovincial trade.

Other organizations rely on the Board's audit function to verify data accuracy. The audit function also ensured accurate producer payment. Agencies such as Statistics Canada and the Canadian Dairy Commission use information provided by the Dairy Board, eliminating duplication and improving information gathering efficiency.

A Provincial Milk Equalization payment system is operated by the Board. This procedure depends on a high level of cooperation between processors and the Board. Very tight time lines are maintained to equalize \$25 million in monthly payments between processors who in turn make payments to producers.

The Board provides the registry for all quota records in Alberta. The Board administers quota transfers that often involve lender security; assignment of producers to specific processors for payment; and collection of levies as the agent for the Canadian Dairy Commission.

Producer and processors also benefit from management extension services offered by Board staff.

Foundation

Mandate

Ensure an adequate supply of safe quality dairy products are available to consumers at reasonable prices by ensuring that policies and services support a profitable, competitive market-driven Alberta dairy industry.

Roles and Responsibilities

The Alberta Dairy Control Board is in the business of agriculture and food industry development. Orderly application of matching production to consumer demand ensures a stable market and stable price. The board acts as the industry referee by providing an appeal mechanism for producers, processors, consumers and government. Development of policies in consultation with industry fosters a competitive market-driven dairy industry and encourages value-added processing in Alberta.

Dairy farmers, processors, consumers, lending institutions, milk haulers, distributors, food retailers, provincial government departments, federal government departments and agencies and educational research institutions are clients of the Board.

Industry Needs and Opportunities

Alberta processors process 100 percent of the raw milk and cream produced in the province. The farm gate value is \$300 million the wholesale value of processed dairy products exceeds \$600 million. Competitive forces within Canada challenge the industry to process products that are in higher consumer demand. Alberta has many natural advantages for expanded production and value-added processing.

Alberta producers are among the most efficient in Canada. Average herd size and production per cow is nearly the highest in the country, comparable only with British Columbia.

Alberta has a disproportionately smaller share of the National quota for industrial milk compared to our population. Moderate growth opportunities exist if we are successful in negotiating more market share quota for Alberta producers.

Processor efficiency suffers from lack of scale and increased distribution cost in comparison to Ontario and Quebec processors. We must encourage increased plant through-put and ensure processing and distribution costs are not unnecessarily increased by demands of government.

Producers benefit from an independent agency that has access to client confidential records to ensure accurate and timely payment.

The Board will continue to strive to simplify the quota administration and reduce cost to industry.

Additional market opportunities exist for producers and processors. Increased market access has been negotiated under GATT. An Optional Export Program is now available for producers and processors without the constraints of the quota system. A system of pooling special class market returns will replace the majority of the levy system.

Programs and Services

The Dairy Control Board acts as the industry referee. Alberta is unique in Canada in that we have an operating structure that brings producers and processors together on a routine basis to discuss industry issues and make recommendations to the Dairy Control Board. By performing this role, we will minimize the conflict and turmoil experienced in other provinces.

The Board provides an appropriate appeal mechanism for producers, processors, consumers and government. With strong enabling legislation the Board can provide services which limits unnecessary legal costs and court challenges.

Interprovincial trade is important to Alberta. The Board must assist in facilitating complete removal of all interprovincial trade barriers for milk and milk products.

To ensure accurate producer returns processor records are audited. Board staff provide technical assistance to producers and processors on payment procedures. In addition, the Board offers liaison with the Canadian Dairy Commission respecting payment, special class pooling and levy deductions.

A market-responsive dairy industry will be competitive. Deregulation that stimulates a more competitive market driven industry while providing an orderly transition period is a goal. The deregulation process must continue. Change can be managed to prevent short-term economic disruptions.

The Board provides service to the industry by calculating producer payment through a price equalization pool.

The Board sets the farm gate price of industrial milk. In addition the Board administers the producer price and the wholesale price of milk as set by the Energy and Utilities Board under authority of the Dairy Board Act.

Milk allocation to processors to achieve the highest possible producer returns from the highest value-added processing is a Board responsibility.

The Board is responsible for issuing fluid quota (liquid milk) and market share quota (industrial) to producers. As part of the service the Board maintains a registry of licensed producers, quota allotments, security documents on behalf of producers and lenders, collects data and supplies statistics to the Canadian Dairy Commission, Statistics Canada, Alberta government agencies and the dairy industry.

Regional pooling, quota movement and administration is a long term goal.

Measurable Results

Industry referee - all issues are addressed immediately, with courtesy and with widest possible input to arrive at a fair and reasonable resolution.

Appeal board - all appeals are received in writing and are reviewed by the Board at the earliest date the information is available. Personal appearances before the Board are available.

Interprovincial trade - all restrictions on the movement of milk or milk products out of Alberta have been removed. Processors pay the appropriate Alberta class price. Any processor who wants to move product in or out of Alberta receives complete cooperation providing accurate accounting for the product is maintained. Regional pooling, quota movement and administration is a long-term goal.

Audit - processor and producer records are examined in sufficient detail and any necessary adjustments are made to achieve accurate payment.

Deregulation - opportunities to further deregulate aspects of the dairy industry will be pursued. Preparing the industry for more global trade requires simplification of regulations.

Producer payment - all producers are accurately paid.

Milk pricing - adjustments are made to the price of industrial milk to provide adequate producer return and keep the Alberta further processing industry competitive.

Milk allocation - the cascading demand principle be implemented in a manner that generates the highest possible producer returns.

Quota administration - respond to market demand by allotting quota in sufficient quantities to bring about an adequate supply of fresh milk to meet consumer demand.

Operations

The Board is composed of five members appointed by the Lieutenant Governor in Council. Policy Committee made up of key industry and government personnel provides advice to the Board on policy issues.

Alberta is a member of the National Milk Marketing plan; the Chairman of the Dairy Control Board is one signatory. Through the Canadian Milk Supply Management Committee the Board provides input to the Canadian Dairy Commission on policy matters affecting the Alberta dairy industry.

An administrative staff complement of 10 is employed to carry out Board policies and procedures. Staff expertise includes an auditor, business analyst, quota systems personnel, key punch and administrative support. In-house computer capability that maintains quota, and shipment data, receives and disperses electronic data with outside agencies with internet capabilities, will meet industry needs for several years

Financial Plan

	1994/95	1995/96	1996/97	1997/98	1998/99
	<u>ACTUAL</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>
REVENUE:					
Government	\$170,903	\$162,000	\$162,000	\$162,000	\$162,000
Producers	\$421,542	\$400,000	\$400,000	\$400,000	\$400,000
Processors	\$210,123	\$200,000	\$200,000	\$200,000	\$200,000
Other Revenue	\$ 437				
TOTAL REVENUE:	<u>\$803,005</u>	<u>\$762,000</u>	<u>\$762,000</u>	<u>\$762,000</u>	<u>\$762,000</u>
EXPENDITURES:					
Government	\$ -	\$ -	\$ -	\$ -	\$ -
Dairy Board	<u>751,170</u>	<u>\$750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
TOTAL EXPENDITURES:	<u>\$751,170</u>	<u>\$750,000</u>	<u>\$750,000</u>	<u>\$750,000</u>	<u>\$750,000</u>
EXCESS REVENUE OVER EXPENDITURES:	<u>\$ 51,835</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>

Implementation, Action or Work Plans

The Board must maintain an impartial, open approach that permits producers, processors, consumers and government to have issues reviewed and resolved in a cost effective manner.

Policies that encourage and capture growth opportunities must be developed. Maintaining and increasing production and value-added processing is a priority. Assist organizations who are seeking markets beyond provincial boundaries.

Information gathering and data transfer must be accurate and timely. Statistics Canada, Agriculture Canada, Canadian Dairy Commission and Alberta Agriculture, Food and Rural Development depend on the integrity of the Board's data. Audit procedures are necessary to verify data for statistical uses as well as accurate producer payment.

Deregulation process must continue to promote a competitive market-driven dairy industry. Short-term industry and price stability must not be sacrificed for the sake of deregulation and change. Supply management has proven to be an effective tool in ensuring consumers receive a quality product on a continual basis at stable prices. Industry investment in production and processing facilities is indicative of the stability brought about by supply management. Deregulation and Regulation rewrite is a short term goal. Simplification of administrative procedures continues to be a priority.

The Dairy Control Board is currently 75% industry financed. Complete self sufficiency is a reasonable longer-term goal providing appropriate enabling legislation is in place. Consistency in terms of cost recovery compared to other agriculture sectors is a reasonable goal.

Calculation of producer payment through a price equalization pool is a key function of the Board. It is a reasonable goal to create a regional or western Canadian system.

Alberta is in a position to provide proactive leadership to the western Canadian dairy industry. Managing change is essential. Using the existing resources and expertise, the Board can service the needs of producers, processors, consumers and government in meeting future challenges.

A short term project aimed at bringing illegal milk producers and processors within the law is a priority. This will be a joint venture with the Canadian Dairy Commission.

